



2005 Instructions for Schedules A & B (Form 1040)

Instructions for Schedule A, Itemized Deductions

Use Schedule A (Form 1040) to figure your itemized deductions. In most cases, your federal income tax will be less if you take the larger of your itemized deductions or your standard deduction.

If you itemize, you can deduct a part of your medical and dental expenses and unreimbursed employee business expenses, and amounts you paid for certain taxes, interest, contributions, and miscellaneous expenses. You can also deduct certain casualty and theft losses.

If you and your spouse paid expenses jointly and are filing separate returns for 2005, see Pub. 504 to figure the portion of joint expenses that you can claim as itemized deductions.



Do not include on Schedule A items deducted elsewhere, such as on Form 1040 or Schedule C, C-EZ, E, or F.

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

- Certain cash contributions paid after August 27, 2005, are not subject to the overall limitation on itemized deductions or the 50% adjusted gross income limitation. See the instructions for line 15b on page A-7.

- Casualty and theft losses that occurred in the Hurricane Katrina disaster area after August 24, 2005, are not subject to the \$100 and the 10% adjusted gross income limitations if the loss was caused by Hurricane Katrina. See the instructions for line 19 on page A-8.

- The 2005 rate for use of your vehicle to get medical care is 15 cents a mile (22 cents a mile after August 31, 2005).

- The 2005 rate for charitable use of your vehicle to provide relief related to Hurricane Katrina is 29 cents a mile after August 24, 2005 (34 cents a mile after August 31, 2005).

- If you deduct more than \$500 for a contribution of a motor vehicle, boat, or airplane, you must attach a statement from the charitable organization to your return. See the instructions for line 16 that begin on page A-7.

- If you elected to deduct contributions made in January 2005 for the relief of victims of the Indian Ocean tsunami on your 2004 return, you cannot deduct the contributions for 2005. See *Contributions You Cannot Deduct* on page A-7.

- Special rules apply to certain contributions of food inventory and book inven-

tory made after August 27, 2005. For details, see Pub. 526.

- Certain whaling captains may be able to claim a charitable deduction for whale hunting expenses. See *Gifts to Charity* on page A-6 for more details.

- The tables and worksheet needed to figure your state and local sales tax deduction using the optional method have been added to the instructions for line 5 that begin on page A-3. Pub. 600 and Pub. 600-A do not apply for 2005.

- Line 29 has been added to elect to itemize even though your itemized deductions are less than your standard deduction. This election was previously made on Form 1040.

Medical and Dental Expenses

You can deduct only the part of your medical and dental expenses that exceeds 7.5% of the amount on Form 1040, line 38.

Pub. 502 discusses the types of expenses that you can and cannot deduct. It also explains when you can deduct capital expenses and special care expenses for disabled persons.



If you received a distribution from a health savings account or a medical savings account in 2005, see Pub. 969 to figure your deduction.

Examples of Medical and Dental Payments You Can Deduct

To the extent you were not reimbursed, you can deduct what you paid for:

- Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts as defined in Pub. 502. But see *Limit on long-term care premiums you can deduct* on page A-2. Reduce the insurance premiums by any self-employed health insurance deduction you claimed on Form 1040, line 29.

Note. If, during 2005, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must reduce your insurance premiums by any amounts used to figure the health coverage tax credit. See the instructions for line 1 on page A-2.



You cannot deduct insurance premiums paid with pretax dollars because the premiums are not included in box 1 of your Form(s) W-2.

- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychoanalysts (medical care only), and psychologists.
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths your doctor ordered.
- Nursing help (including your share of the employment taxes paid). If you paid someone to do both nursing and house-

work, you can deduct only the cost of the nursing help.

- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Qualified long-term care services (see Pub. 502).
- The supplemental part of Medicare insurance (Medicare B).
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.
- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.
- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. Do not deduct more than \$50 a night for each eligible person.
- Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 15 cents a mile (22 cents a mile for travel after August 31, 2005). Add parking and tolls to the amount you claim under either method.

Note. Certain medical expenses paid out of a deceased taxpayer's estate can be claimed on the deceased taxpayer's final return. See Pub. 502 for details.

Limit on long-term care premiums you can deduct. The amount you can deduct for qualified long-term care contracts (as defined in Pub. 502) depends on the age, at the end of 2005, of the person for whom the premiums were paid. See the chart below for details.

IF the person was, at the end of 2005, age . . .	THEN the most you can deduct is . . .
40 or under	\$ 270
41–50	\$ 510
51–60	\$ 1,020
61–70	\$ 2,720
71 or older	\$ 3,400

Examples of Medical and Dental Payments You Cannot Deduct

- The basic cost of Medicare insurance (Medicare A).



If you were age 65 or older but not entitled to social security benefits, you can deduct premiums you voluntarily paid for Medicare A coverage.

Medicare A coverage.

- The cost of diet food.
- Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.
- Life insurance or income protection policies.
- The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes.
- Nursing care for a healthy baby. But you may be able to take a credit for the amount you paid. See the instructions for Form 1040, line 48.
- Illegal operations or drugs.
- Imported drugs not approved by the U.S. Food and Drug Administration (FDA). This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval.
- Nonprescription medicines (including nicotine gum and certain nicotine patches).
- Travel your doctor told you to take for rest or a change.
- Funeral, burial, or cremation costs.

Line 1

Medical and Dental Expenses

Enter the total of your medical and dental expenses (see page A-1), after you reduce these expenses by any payments received from insurance or other sources. See *Reimbursements* on this page.



Do not forget to include insurance premiums you paid for medical and dental care. But if you claimed the self-employed health insurance deduction on Form 1040, line 29, reduce the premiums by the amount on line 29.

Note. If, during 2005, you were an eligible trade adjustment assistance (TAA) recipient, alternative TAA recipient, or Pension Benefit Guaranty Corporation pension recipient, you must complete Form 8885 before completing Schedule A, line 1. When figuring the amount of insurance premiums you can deduct on Schedule A, do not include any health coverage tax credit advance payments shown in box 1 of Form 1099-H. Also, subtract the amount

shown on Form 8885, line 4 (reduced by any advance payments shown on line 6 of that form), from the total insurance premiums you paid.

Whose medical and dental expenses can you include? You can include medical and dental bills you paid for:

- Yourself and your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules for children of divorced or separated parents.
- Any person you could have claimed as a dependent on your return except that person received \$3,200 or more of gross income or filed a joint return.
- Any person you could have claimed as a dependent except that you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2005 return.

Example. You provided over half of your mother's support but cannot claim her as a dependent because she received wages of \$3,200 in 2005. You can include on line 1 any medical and dental expenses you paid in 2005 for your mother.

Reimbursements. If your insurance company paid the provider directly for part of your expenses, and you paid only the amount that remained, include on line 1 only the amount you paid. If you received a reimbursement in 2005 for medical or dental expenses you paid in 2005, reduce your 2005 expenses by this amount. If you received a reimbursement in 2005 for prior year medical or dental expenses, do not reduce your 2005 expenses by this amount. But if you deducted the expenses in the earlier year and the deduction reduced your tax, you must include the reimbursement in income on Form 1040, line 21. See Pub. 502 for details on how to figure the amount to include.

Cafeteria plans. Do not include on line 1 insurance premiums paid by an employer-sponsored health insurance plan (cafeteria plan) unless the premiums are included in box 1 of your Form(s) W-2. Also, do not include any other medical and dental expenses paid by the plan unless the amount paid is included in box 1 of your Form(s) W-2.

Taxes You Paid

Taxes You Cannot Deduct

- Federal income and excise taxes.
- Social security, Medicare, federal unemployment (FUTA), and railroad retirement (RRTA) taxes.
- Customs duties.
- Federal estate and gift taxes. But see the instructions for line 27 on page A-9.

- Certain state and local taxes, including: tax on gasoline, car inspection fees, assessments for sidewalks or other improvements to your property, tax you paid for someone else, and license fees (marriage, driver's, dog, etc.).

Line 5



*You can elect to deduct state and local general sales taxes instead of state and local income taxes. **You cannot deduct both.***

State and Local Income Taxes

If you deduct state and local income taxes, check **box a** on line 5. Include on this line the state and local income taxes listed below.

- State and local income taxes withheld from your salary during 2005. Your Form(s) W-2 will show these amounts. Forms W-2G, 1099-G, 1099-R, and 1099-MISC may also show state and local income taxes withheld.

- State and local income taxes paid in 2005 for a prior year, such as taxes paid with your 2004 state or local income tax return. Do not include penalties or interest.

- State and local estimated tax payments made during 2005, including any part of a prior year refund that you chose to have credited to your 2005 state or local income taxes.

- Mandatory contributions you made to the California, New Jersey, or New York Nonoccupational Disability Benefit Fund, Rhode Island Temporary Disability Benefit Fund, or Washington State Supplemental Workmen's Compensation Fund.

Do not reduce your deduction by any:

- State or local income tax refund or credit you expect to receive for 2005, or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2005. Instead, see the instructions for Form 1040, line 10.

State and Local General Sales Taxes

If you elect to deduct state and local general sales taxes, you **must** check **box b** on line 5. To figure your deduction, you can use either your actual expenses or the optional sales tax tables.

Actual Expenses

Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) you paid in 2005 if the tax rate was the same as the general sales tax rate. However, sales taxes on food, clothing, medical supplies, and motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. Sales taxes on motor vehicles are also deductible as a general sales tax if the tax rate was more than the

general sales tax rate, but the tax is deductible only up to the amount of tax that would have been imposed at the general sales tax rate. Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles. Also include any state and local general sales taxes paid for a leased motor vehicle.

Do not include sales taxes paid on items used in your trade or business.



You must keep your actual receipts showing general sales taxes paid to use this method.

Refund of general sales taxes. If you received a refund of state or local general sales taxes in 2005 for amounts paid in 2005, reduce your 2005 state and local general sales taxes by this amount. If you received a refund of state or local general sales taxes in 2005 for prior year purchases, do not reduce your 2005 state and local general sales taxes by this amount. But if you deducted your state and local general sales taxes in the earlier year and the deduction reduced your tax, you may have to include the refund in income on Form 1040, line 21. See *Recoveries* in Pub. 525 for details.

Optional Sales Tax Tables

Instead of using your actual expenses, you can use the tables on pages A-10 through A-12 to figure your state and local general sales tax deduction. You may also be able to add the state and local general sales taxes paid on certain specified items.

To figure your state and local general sales tax deduction using the tables, complete the worksheet on page A-4.

Note. Instead of completing the worksheet, you can use the 2005 Sales Tax Calculator on the IRS website at www.irs.gov/pub/irs-soi/SalesTaxCalc05.xls.



*If your filing status is married filing separately, both you and your spouse elect to deduct sales taxes, **and** your spouse elects to use the optional sales tax tables, you also must use the tables to figure your state and local general sales tax deduction.*

Instructions for Line 5b Worksheet

Line 1. If you lived in the same state for all of 2005, enter the applicable amount, based on your 2005 income and exemptions, from the optional state sales tax table for your state on page A-10 or A-11. Read down the "At least—But less than" columns for your state and find the line that includes your 2005 income. If married filing separately, do not include your spouse's income. Your 2005 income is the amount shown on your Form 1040, line 38, plus any nontaxable items, such as the following.

- Tax-exempt interest.
- Veterans' benefits.

- Nontaxable combat pay.
- Workers' compensation.
- Nontaxable part of social security and railroad retirement benefits.
- Nontaxable part of IRA, pension, or annuity distributions. Do not include rollovers.
- Public assistance payments.

The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d. Do not include any additional exemptions you listed on Form 8914 for individuals displaced by Hurricane Katrina.

What if you lived in more than one state? If you lived in more than one state during 2005, look up the table amount for each state using the above rules. If there is no table for your state, the table amount is considered to be zero. Multiply the table amount for each state you lived in by a fraction. The numerator of the fraction is the number of days you lived in the state during 2005 and the denominator is the total number of days in the year (365). Enter the total of the prorated table amounts for each state on line 1. However, if you also lived in a locality during 2005 that imposed a local general sales tax, do not enter the total on line 1. Instead, complete a separate worksheet for each state you lived in and enter the prorated amount for that state on line 1.

Example. You lived in State A from January 1 through August 31, 2005 (243 days), and in State B from September 1 through December 31, 2005 (122 days). The table amount for State A is \$500. The table amount for State B is \$400. You would figure your state general sales tax as follows.

State A:	$500 \times 243/365 =$	\$333
State B:	$400 \times 122/365 =$	134
Total		= \$467

If none of the localities in which you lived during 2005 imposed a local general sales tax, enter \$467 on line 1 of your worksheet. Otherwise, complete a separate worksheet for State A and State B. Enter \$333 on line 1 of the State A worksheet and \$134 on line 1 of the State B worksheet.

Line 2. If you checked the "No" box, enter -0- on line 2, and go to line 3. If you checked the "Yes" box and lived in the same locality for all of 2005, enter the applicable amount, based on your 2005 income and exemptions, from the optional local sales tax table for your locality on page A-12. Read down the "At least—But less than" columns for your locality and find the line that includes your 2005 income. See the line 1 instructions on this page to figure your 2005 income. The exemptions column refers to the number of exemptions claimed on Form 1040, line 6d. Do not include any additional exemptions you listed on Form 8914 for individuals displaced by Hurricane Katrina.

What if you lived in more than one locality? If you lived in more than one locality during 2005, look up the table amount

for each locality using the above rules. If there is no table for your locality, the table amount is considered to be zero. Multiply the table amount for each locality you lived in by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2005 and the denominator is the total number of days in the year (365). If you lived in more than one locality in the same state and the local general sales tax rate was the same for each locality, enter the total of the prorated table amounts for each locality in that state on line 2. Otherwise, complete a separate worksheet for lines 2 through 6 for each locality and enter each prorated table amount on line 2 of the applicable worksheet.

Example. You lived in Locality 1 from January 1 through August 31, 2005 (243 days), and in Locality 2 from September 1 through December 31, 2005 (122 days). The table amount for Locality 1 is \$100. The table amount for Locality 2 is \$150.

You would figure the amount to enter on line 2 as follows. Note that this amount may not equal your local sales tax deduction, which is figured on line 6 of the worksheet.

Locality 1:	$\$100 \times 243/365 =$	\$ 67
Locality 2:	$\$150 \times 122/365 =$	$\frac{50}{}$
Total		= \$117

Line 3. If you lived in Virginia, check the "No" box. Your state and local general sales taxes are combined in the table on page A-11.

If you lived in California, check the "No" box if your combined state and local general sales tax rate is 7.25%. Otherwise, check the "Yes" box and include on line 3 only the part of the combined rate that is more than 7.25%.

If you lived in Nevada, check the "No" box if your combined state and local gen-

eral sales tax rate is 6.5%. Otherwise, check the "Yes" box and include on line 3 only the part of the combined rate that is more than 6.5%

If you lived in Texarkana, Arkansas, check the "Yes" box and enter "4.0" on line 3. Your local general sales tax rate of 4.0% includes the additional 1.0% Arkansas state sales tax rate for Texarkana and the 1.5% sales tax rate for Miller County.

What if your local general sales tax rate changed during 2005? If you checked the "Yes" box and your local general sales tax rate changed during 2005, figure the rate to enter on line 3 as follows. Multiply each tax rate for the period it was in effect by a fraction. The numerator of the fraction is the number of days the rate was in effect during 2005 and the denominator is the total number of days in the year (365). Enter the total of the prorated tax rates on line 3.

State and Local General Sales Tax Deduction Worksheet—Line 5b

(See the **Instructions for Line 5b Worksheet** that begin on page A-3.)

Keep for Your Records



1. Enter your state general sales taxes from the applicable table on page A-10 or A-11 (see instructions)	1.	<input type="text"/>
2. Did you live in Alaska, Arizona, Arkansas (Texarkana only), California (Los Angeles County only), Colorado, Georgia, Illinois, Louisiana, New York (New York City only), or North Carolina in 2005?		
<input type="checkbox"/> No. Enter -0-		
<input type="checkbox"/> Yes. Enter your local general sales taxes from the applicable table on page A-12 (see instructions)	2.	<input type="text"/>
3. Did your locality impose a local general sales tax in 2005? Virginia residents, check the "No" box. Residents of California, Nevada, and Texarkana, Arkansas, see instructions.		
<input type="checkbox"/> No. Skip lines 3 through 5, enter -0- on line 6, and go to line 7.		
<input type="checkbox"/> Yes. Enter your local general sales tax rate, but omit percentages (for example, if your local general sales tax rate was 2.5%, enter 2.5). If your local general sales tax rate changed or you lived in more than one locality in the same state during 2005, see instructions	3.	<input type="text"/>
4. Did you enter -0- on line 2 above?		
<input type="checkbox"/> No. Skip lines 4 and 5 and go to line 6.		
<input type="checkbox"/> Yes. Enter your state general sales tax rate (from the table heading for your state), but omit percentages. For example, if your state general sales tax rate is 6%, enter 6.0.	4.	<input type="text"/>
5. Divide line 3 by line 4. Enter the result as a decimal (rounded to at least three places)	5.	<input type="text"/>
6. Did you enter -0- on line 2 above?		
<input type="checkbox"/> No. Multiply line 2 by line 3	6.	<input type="text"/>
<input type="checkbox"/> Yes. Multiply line 1 by line 5. If you lived in more than one locality in the same state during 2005, see instructions.		
7. Enter your general sales taxes paid on specified items, if any (see instructions)	7.	<input type="text"/>
8. Deduction for general sales taxes. Add lines 1, 6, and 7. Enter the result here and the total from all your worksheets, if applicable, on Schedule A, line 5. Be sure to check box b on that line	8.	<input type="text"/>

Note. If you elect to deduct general sales taxes, you cannot deduct your state and local income taxes.

Example. Locality 1 imposed a 1% local general sales tax from January 1 through September 30, 2005 (273 days). The rate increased to 1.75% for the period from October 1 through December 31, 2005 (92 days). You would enter “1.189” on line 3, figured as follows.

January 1 –	
September 30:	$1.00 \times 273/365 = 0.748$
October 1 –	
December 31:	$1.75 \times 92/365 = \underline{0.441}$
Total	$= 1.189$

What if you lived in more than one locality in the same state during 2005? Complete a separate worksheet for lines 2 through 6 for each locality in your state if you lived in more than one locality in the same state during 2005 and either of the following applies.

- Each locality did not have the same local general sales tax rate.
- You lived in Texarkana, AR; Los Angeles County, CA; or New York, NY.

To figure the amount to enter on line 3 of the worksheet for each locality in which you lived (except a locality for which you used the table on page A-12 to figure your local general sales tax deduction), multiply the local general sales tax rate by a fraction. The numerator of the fraction is the number of days you lived in the locality during 2005 and the denominator is the total number of days in the year (365).

Example. You lived in Locality 1 from January 1 through August 31, 2005 (243 days), and in Locality 2 from September 1 through December 31, 2005 (122 days). The local general sales tax rate for Locality 1 is 1%. The rate for Locality 2 is 1.75%. You would enter “0.666” on line 3 for the Locality 1 worksheet and “0.585” for the Locality 2 worksheet, figured as follows.

Locality 1:	$1.00 \times 243/365 = 0.666$
Locality 2:	$1.75 \times 122/365 = 0.585$

Line 6. If you lived in more than one locality in the same state during 2005, you should have completed line 1 only on the first worksheet for that state and separate worksheets for lines 2 through 6 for any other locality within that state in which you lived during 2005. If you checked the “Yes” box on line 6 of any of those worksheets, multiply line 5 of that worksheet by the amount that you entered on line 1 for that state on the first worksheet.

Line 7. Enter on line 7 any state and local general sales taxes paid on the following specified items. If you are completing more than one worksheet, include the total for line 7 on only one of the worksheets.

1. A motor vehicle (including a car, motorcycle, motor home, recreational vehicle, sport utility vehicle, truck, van, and off-road vehicle). Also include any state and local general sales taxes paid for a leased motor vehicle. If the state sales tax rate on these items is higher than the general sales tax rate, only include the amount

of tax you would have paid at the general sales tax rate.

2. An aircraft or boat, if the tax rate was the same as the general sales tax rate.

3. A home (including a mobile home or prefabricated home) or substantial addition to or major renovation of a home, but only if the tax rate was the same as the general sales tax rate and any of the following applies.

a. Your state or locality imposes a general sales tax directly on the sale of a home or on the cost of a substantial addition or major renovation.

b. You purchased the materials to build a home or substantial addition or to perform a major renovation and paid the sales tax directly.

c. Under your state law, your contractor is considered your agent in the construction of the home or substantial addition or the performance of a major renovation. The contract must state that the contractor is authorized to act in your name and must follow your directions on construction decisions. In this case, you will be considered to have purchased any items subject to a sales tax and to have paid the sales tax directly.

Do not include sales taxes paid on items used in your trade or business. If you received a refund of state or local general sales taxes in 2005, see *Refund of general sales taxes* on page A-3.

Line 6 Real Estate Taxes

Include taxes (state, local, or foreign) you paid on real estate you own that was not used for business, but only if the taxes are based on the assessed value of the property. Also, the assessment must be made uniformly on property throughout the community, and the proceeds must be used for general community or governmental purposes. Pub. 530 explains the deductions homeowners can take.

Do not include the following amounts on line 6.

- Itemized charges for services to specific property or persons (for example, a \$20 monthly charge per house for trash collection, a \$5 charge for every 1,000 gallons of water consumed, or a flat charge for mowing a lawn that had grown higher than permitted under a local ordinance).

- Charges for improvements that tend to increase the value of your property (for example, an assessment to build a new sidewalk). The cost of a property improvement is added to the basis of the property. However, a charge is deductible if it is used only to maintain an existing public facility in service (for example, a charge to repair an existing sidewalk, and any interest included in that charge).

If your mortgage payments include your real estate taxes, you can deduct only the amount the mortgage company actually paid to the taxing authority in 2005.

If you sold your home in 2005, any real estate tax charged to the buyer should be shown on your settlement statement and in box 5 of any Form 1099-S you received. This amount is considered a refund of real estate taxes. See *Refunds and rebates* below. Any real estate taxes you paid at closing should be shown on your settlement statement.

Refunds and rebates. If you received a refund or rebate in 2005 of real estate taxes you paid in 2005, reduce your deduction by the amount of the refund or rebate. If you received a refund or rebate in 2005 of real estate taxes you paid in an earlier year, do not reduce your deduction by this amount. Instead, you must include the refund or rebate in income on Form 1040, line 21, if you deducted the real estate taxes in the earlier year and the deduction reduced your tax. See *Recoveries* in Pub. 525 for details on how to figure the amount to include in income.

Line 7 Personal Property Taxes

Enter personal property tax you paid, but only if it is based on value alone and it is charged on a yearly basis.

Example. You paid a yearly fee for the registration of your car. Part of the fee was based on the car’s value and part was based on its weight. You can deduct only the part of the fee that was based on the car’s value.

Line 8 Other Taxes

If you had any deductible tax not listed on line 5, 6, or 7, list the type and amount of tax. Enter only one total on line 8. Include on this line income tax you paid to a foreign country or U.S. possession.



You may want to take a credit for the foreign tax instead of a deduction. See the instructions for Form 1040, line 47, for

details.

Interest You Paid

Whether your interest expense is treated as investment interest, personal interest, or business interest depends on how and when you used the loan proceeds. See Pub. 535 for details.

In general, if you paid interest in 2005 that applies to any period after 2005, you can deduct only amounts that apply for 2005.

Lines 10 and 11

Home Mortgage Interest

A home mortgage is any loan that is secured by your main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages.

A home can be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations including sleeping space, toilet, and cooking facilities.

Limit on home mortgage interest. If you took out any mortgages after October 13, 1987, your deduction may be limited. Any additional amounts borrowed after October 13, 1987, on a line-of-credit mortgage you had on that date are treated as a mortgage taken out after October 13, 1987. If you refinanced a mortgage you had on October 13, 1987, treat the new mortgage as taken out on or before October 13, 1987. But if you refinanced for more than the balance of the old mortgage, treat the excess as a mortgage taken out after October 13, 1987.

See Pub. 936 to figure your deduction if either (1) or (2) below applies. If you had more than one home at the same time, the dollar amounts in (1) and (2) apply to the total mortgages on both homes.

1. You took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over \$100,000 at any time during 2005. The limit is \$50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.

2. You took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over \$1 million at any time during 2005. The limit is \$500,000 if married filing separately.



If the total amount of all mortgages is more than the fair market value of the home, additional limits apply. See

Pub. 936.

Line 10

Enter on line 10 mortgage interest and points reported to you on Form 1098 under your social security number (SSN). If this form shows any refund of overpaid interest, do not reduce your deduction by the refund. Instead, see the instructions for Form 1040, line 21. If you and at least one other person (other than your spouse if filing jointly) were liable for and paid interest on the mortgage, and the interest was reported on Form 1098 under the other person's SSN, report your share of the interest on line 11 (as explained in the line 11 instructions below).

If you paid more interest to the recipient than is shown on Form 1098, see Pub. 936 to find out if you can deduct the additional interest. If you can, attach a statement explaining the difference and enter "See attached" to the right of line 10.



If you are claiming the mortgage interest credit (for holders of qualified mortgage credit certificates issued by state or local governmental units or agencies), subtract the amount shown on Form 8396, line 3, from the total deductible interest you paid on your home mortgage. Enter the result on line 10.

Line 11

If you did not receive a Form 1098 from the recipient, report your deductible mortgage interest on line 11.

If you bought your home from the recipient, be sure to show that recipient's name, identifying no., and address on the dotted lines next to line 11. If the recipient is an individual, the identifying no. is his or her social security number (SSN). Otherwise, it is the employer identification number. You must also let the recipient know your SSN. If you do not show the required information about the recipient or let the recipient know your SSN, you may have to pay a \$50 penalty.

If you and at least one other person (other than your spouse if filing jointly) were liable for and paid interest on the mortgage, and the other person received the Form 1098, attach a statement to your return showing the name and address of that person. To the right of line 11, enter "See attached."

Line 12

Points Not Reported on Form 1098

Points are shown on your settlement statement. Points you paid only to borrow money are generally deductible over the life of the loan. See Pub. 936 to figure the amount you can deduct. Points paid for other purposes, such as for a lender's services, are not deductible.

Refinancing. Generally, you must deduct points you paid to refinance a mortgage over the life of the loan. This is true even if the new mortgage is secured by your main home.

If you used part of the proceeds to improve your main home, you may be able to deduct the part of the points related to the improvement in the year paid. See Pub. 936 for details.



If you paid off a mortgage early, deduct any remaining points in the year you paid off the mortgage.

Line 13

Investment Interest

Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to passive activities or to securities that generate tax-exempt income.

Complete and attach Form 4952 to figure your deduction.

Exception. You do not have to file Form 4952 if all three of the following apply.

1. Your investment interest expense is not more than your investment income from interest and ordinary dividends minus any qualified dividends.
2. You have no other deductible investment expenses.
3. You have no disallowed investment interest expense from 2004.



Alaska Permanent Fund dividends, including those reported on Form 8814, are not investment income.

For more details, see Pub. 550.

Gifts to Charity

You can deduct contributions or gifts you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You can also deduct what you gave to organizations that work to prevent cruelty to children or animals. Certain whaling captains may be able to deduct expenses paid in 2005 for Native Alaskan subsistence bowhead whale hunting activities. See Pub. 526 for details.

To verify an organization's charitable status, you can:

- Check with the organization to which you made the donation. The organization should be able to provide you with verification of its charitable status.
- See Pub. 78 for a list of most qualified organizations. You can access Pub. 78 on the IRS website at www.irs.gov under *Charities and Non-Profits*.
- Call our Tax Exempt/Government Entities Customer Account Services at 1-877-829-5500. Assistance is available Monday through Friday from 8:30 a.m. to 5:30 p.m. Eastern Time.

Examples of Qualified Charitable Organizations

- Churches, mosques, synagogues, temples, etc.
- Boy Scouts, Boys and Girls Clubs of America, CARE, Girl Scouts, Goodwill Industries, Red Cross, Salvation Army, United Way, etc.
- Fraternal orders, if the gifts will be used for the purposes listed above.
- Veterans' and certain cultural groups.

- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for, or help people who have, arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.

- Federal, state, and local governments if the gifts are solely for public purposes.

Contributions You Can Deduct

Contributions can be in cash (keep canceled checks, receipts, or other reliable written records showing the name of the organization and the date and amount given), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described earlier. If you drove to and from the volunteer work, you can take the actual cost of gas and oil or 14 cents a mile. But, if the volunteer work was to provide relief related to Hurricane Katrina after August 24, 2005, this amount is increased to 29 cents a mile (34 cents a mile after August 31, 2005). Add parking and tolls to the amount you claim under either method. But do not deduct any amounts that were repaid to you.

Gifts from which you benefit. If you made a gift and received a benefit in return, such as food, entertainment, or merchandise, you can generally only deduct the amount that is more than the value of the benefit. But this rule does not apply to certain membership benefits provided in return for an annual payment of \$75 or less. For details, see Pub. 526.

Example. You paid \$70 to a charitable organization to attend a fund-raising dinner and the value of the dinner was \$40. You can deduct only \$30.

Gifts of \$250 or more. You can deduct a gift of \$250 or more only if you have a statement from the charitable organization showing the information in (1) and (2) below.

In figuring whether a gift is \$250 or more, do not combine separate donations. For example, if you gave your church \$25 each week for a total of \$1,300, treat each \$25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. See Pub. 526 if you made a separate gift of \$250 or more through payroll deduction.

1. The amount of any money contributed and a description (but not value) of any property donated.

2. Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but

it does not have to describe or value the benefit.



You must get the statement by the date you file your return or the due date (including extensions) for filing your return, whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.

Limit on the amount you can deduct. See Pub. 526 to figure the amount of your deduction if any of the following applies.

1. Your cash contributions or contributions of ordinary income property are more than 30% of the amount on Form 1040, line 38.

2. Your gifts of capital gain property are more than 20% of the amount on Form 1040, line 38.

3. You gave gifts of property that increased in value or gave gifts of the use of property.



The limit described in item (1) above does not apply to certain cash contributions paid after August 27, 2005, if you elect to treat those contributions as qualified contributions. See the instructions for line 15b on this page for details.

Contributions You Cannot Deduct

- Any contribution you made in January 2005 for the relief of victims in areas affected by the December 26, 2004, Indian Ocean tsunami that you elected to deduct on your 2004 return.

- Travel expenses (including meals and lodging) while away from home, unless there was no significant element of personal pleasure, recreation, or vacation in the travel.

- Political contributions.

- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.

- Cost of raffle, bingo, or lottery tickets. But you may be able to deduct these expenses on line 27. See page A-9 for details.

- Cost of tuition. But you may be able to deduct this expense on line 20 (see page A-8), or Form 1040, line 34, or take a credit for this expense (see Form 8863).

- Value of your time or services.

- Value of blood given to a blood bank.

- The transfer of a future interest in tangible personal property (generally, until the entire interest has been transferred).

- Gifts to individuals and groups that are run for personal profit.

- Gifts to foreign organizations. But you may be able to deduct gifts to certain U.S. organizations that transfer funds to foreign charities and certain Canadian, Is-

raeli, and Mexican charities. See Pub. 526 for details.

- Gifts to organizations engaged in certain political activities that are of direct financial interest to your trade or business. See section 170(f)(9).

- Gifts to groups whose purpose is to lobby for changes in the laws.

- Gifts to civic leagues, social and sports clubs, labor unions, and chambers of commerce.

- Value of benefits received in connection with a contribution to a charitable organization. See Pub. 526 for exceptions.

Line 15a

Total Gifts by Cash or Check

Enter on line 15a the total gifts you made in cash or by check (including out-of-pocket expenses).

Line 15b

Qualified Contributions

In general, you can elect to treat gifts by cash or check as qualified contributions if the gifts were paid after August 27, 2005, to a qualified charitable organization (other than certain private foundations described in section 509(a)(3)). Qualified contributions are not subject to the overall limitation on itemized deductions or the 50% adjusted gross income limitation.

Qualified contributions do not include contributions to organizations for which cash gifts are subject to a limit based on 30% of your adjusted gross income (such as contributions to veterans' organizations, fraternal societies, nonprofit cemeteries, and certain private nonoperating foundations). Also, qualified contributions do not include any contributions to a segregated fund or account for which you (or any person appointed or designated by you) have, or reasonably expect to have, advisory privileges with respect to distributions or investments based on your contribution.

Certain limits may apply if your qualified contributions are more than the amount on Form 1040, line 38, minus all other allowable contributions. For details, see Pub. 526.

Line 16

Other Than by Cash or Check

Enter your contributions of property. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale.

For more details on determining the value of donated property, see Pub. 561.

If the amount of your deduction is more than \$500, you must complete and attach Form 8283. For this purpose, the "amount of your deduction" means your deduction before applying any income limits that could result in a carryover of contributions. If you deduct more than \$500 for a contribution of a motor vehicle, boat, or airplane, you must also attach a statement from the charitable organization to your return. If your total deduction is over \$5,000, you may also have to get appraisals of the values of the donated property. See Form 8283 and its instructions for details.

Recordkeeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. For each gift of property, you should also keep reliable written records that include:

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.
- The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- Any conditions attached to the gift.



If your total deduction for gifts of property is over \$500, you gave less than your entire interest in the property, or you made a "qualified conservation contribution," your records should contain additional information. See Pub. 526 for details.

Line 17

Carryover From Prior Year

Enter any carryover of contributions that you could not deduct in an earlier year because they exceeded your adjusted gross income limit. See Pub. 526 for details.

Casualty and Theft Losses

Line 19

Complete and attach Form 4684 to figure the amount of your loss to enter on line 19.

You may be able to deduct part or all of each loss caused by theft, vandalism, fire, storm, or similar causes, and car, boat, and other accidents. You may also be able to

deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

You can deduct nonbusiness casualty or theft losses only to the extent that:

1. The amount of each separate casualty or theft loss is more than \$100, and
2. The total amount of all losses during the year (reduced by the \$100 limit discussed in (1) above) is more than 10% of the amount on Form 1040, line 38.



The limits in items (1) and (2) above do not apply to casualty and theft losses that occurred in the Hurricane Katrina disaster area after August 24, 2005, if the loss was caused by Hurricane Katrina. See Form 4684 and its instructions for details.

Special rules apply if you had both gains and losses from nonbusiness casualties or thefts. See Form 4684 and its instructions for details.

Use Schedule A, line 22, to deduct the costs of proving that you had a property loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

For information on federal disaster area losses, see Pub. 547. For information on tax benefits related to Hurricane Katrina, see Pub. 4492.

Job Expenses and Certain Miscellaneous Deductions

You can deduct only the part of these expenses that exceeds 2% of the amount on Form 1040, line 38.

Pub. 529 discusses the types of expenses that can and cannot be deducted.

Examples of Expenses You Cannot Deduct

- Political contributions.
- Personal legal expenses.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Commuting expenses. See Pub. 529 for the definition of commuting.
- Travel expenses for employment away from home if that period of employment exceeds 1 year. See Pub. 529 for an exception for certain federal employees.
- Travel as a form of education.
- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.
- Club dues. See Pub. 529 for exceptions.

- Expenses of adopting a child. But you may be able to take a credit for adoption expenses. See Form 8839 for details.

- Fines and penalties.
- Expenses of producing tax-exempt income.

Line 20

Unreimbursed Employee Expenses

Enter the total ordinary and necessary job expenses you paid for which you were not reimbursed. (Amounts your employer included in box 1 of your Form W-2 are not considered reimbursements.)

An ordinary expense is one that is common and accepted in your field of trade, business, or profession. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be required to be considered necessary.

But you must fill in and attach Form 2106 if either (1) or (2) below applies.

1. You claim any travel, transportation, meal, or entertainment expenses for your job.
2. Your employer paid you for any of your job expenses reportable on line 20.



If you used your own vehicle and (2) above does not apply, you may be able to file Form 2106-EZ instead.

If you do not have to file Form 2106 or 2106-EZ, list the type and amount of each expense on the dotted line next to line 20. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 20.



Do not include on line 20 any educator expenses you deducted on Form 1040, line 23.

Examples of other expenses to include on line 20 are:

- Safety equipment, small tools, and supplies needed for your job.
- Uniforms required by your employer that are not suitable for ordinary wear.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses.
- Physical examinations required by your employer.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Certain business use of part of your home. For details, including limits that apply, use TeleTax topic 509 (see page 8 of

the Form 1040 instructions) or see Pub. 587.

- Certain educational expenses. For details, use TeleTax topic 513 (see page 8 of the Form 1040 instructions) or see Pub. 970. Reduce your educational expenses by any tuition and fees deduction you claimed on Form 1040, line 34.



You may be able to take a credit for your educational expenses instead of a deduction. See Form 8863 for details.

Line 21

Tax Preparation Fees

Enter the fees you paid for preparation of your tax return, including fees paid for filing your return electronically. If you paid your tax by credit card, do not include the convenience fee you were charged.

Line 22

Other Expenses

Enter the total amount you paid to produce or collect taxable income and manage or protect property held for earning income. But do not include any personal expenses. List the type and amount of each expense on the dotted lines next to line 22. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 22.

Examples of expenses to include on line 22 are:

- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (for example, trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see Pub. 529.
- Casualty and theft losses of property used in performing services as an employee from Form 4684, lines 35 and 41b, or Form 4797, line 18a.
- Deduction for repayment of amounts under a claim of right if \$3,000 or less.

Other Miscellaneous Deductions

Line 27

Only the expenses listed next can be deducted on this line. List the type and amount of each expense on the dotted lines next to line 27. If you need more space, attach a statement showing the type and amount of each expense. Enter one total on line 27.

- Gambling losses, but only to the extent of gambling winnings reported on Form 1040, line 21.
- Casualty and theft losses of income-producing property from Form

4684, lines 35 and 41b, or Form 4797, line 18a.

- Loss from other activities from Schedule K-1 (Form 1065-B), box 2.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Deduction for repayment of amounts under a claim of right if over \$3,000. See Pub. 525 for details.
- Certain unrecovered investment in a pension.
- Impairment-related work expenses of a disabled person.

For more details, see Pub. 529.

Total Itemized Deductions

Line 28

Use the worksheet below to figure the amount to enter on line 28 if the amount on Form 1040, line 38, is over \$145,950 (\$72,975 if married filing separately).

Line 29

If you elect to itemize for state tax or other purposes even though your itemized deductions are less than your standard deduction, check the box on line 29.

Itemized Deductions Worksheet—Line 28

Keep for Your Records



1. Enter the total of the amounts from Schedule A, lines 4, 9, 14, 18, 19, 26, and 27 1. _____
2. Enter the total of the amounts from Schedule A, lines 4, 13, 15b, and 19, plus any gambling and casualty or theft losses included on line 27. 2. _____



Be sure your total gambling and casualty or theft losses are clearly identified on the dotted lines next to line 27.

3. Is the amount on line 2 less than the amount on line 1?
☐ **No.** Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28.
☐ **Yes.** Subtract line 2 from line 1 3. _____
4. Multiply line 3 by 80% (.80) 4. _____
5. Enter the amount from Form 1040, line 38 5. _____
6. Enter: \$145,950 (\$72,975 if married filing separately) 6. _____
7. Is the amount on line 6 less than the amount on line 5?
☐ **No.** Your deduction is not limited. Enter the amount from line 1 above on Schedule A, line 28.
☐ **Yes.** Subtract line 6 from line 5 7. _____
8. Multiply line 7 by 3% (.03) 8. _____
9. Enter the **smaller** of line 4 or line 8 9. _____
10. **Total itemized deductions.** Subtract line 9 from line 1. Enter the result here and on Schedule A, line 28 10. _____